

THE OFFICE OF REGULATORY STAFF

DIRECT TESTIMONY

OF

WILLIE J. MORGAN

APRIL 3, 2008



DOCKET NO. 2007-414-WS

**Joint Application of Haig Point,
Incorporated and CK Material, LLC for
Approval of the Sale and Transfer of
Stock, Assets, and Operating Authority of
Haig Point Utility Company, Incorporated**

DIRECT TESTIMONY OF WILLIE J. MORGAN

FOR

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**IN RE: JOINT APPLICATION OF HAIG POINT, INCORPORATED AND CK
MATERIAL, LLC FOR APPROVAL OF THE SALE AND TRANSFER OF
STOCK, ASSETS, AND OPERATING AUTHORITY OF HAIG POINT
UTILITY COMPANY, INCORPORATED**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND
OCCUPATION.**

A. My name is Willie J. Morgan. My business address is 1441 Main Street,
Suite 300, Columbia, South Carolina 29201. I am employed by the State of South
Carolina, Office of Regulatory Staff ("ORS") as the Program Manager for the
Water and Wastewater Department.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND
EXPERIENCE.**

A. I received a Bachelor of Science Degree in Engineering from the
University of South Carolina in 1985 and a Master of Arts Degree in Management
from Webster University in 2000. I am a licensed Professional Engineer
registered in the State of South Carolina. My professional affiliations include
membership in the American Water Works Association ("AWWA"), the South

1 Carolina Section of the American Water Works Association ("SC-AWWA") and
2 the National Society of Professional Engineers ("NSPE"). After graduating from
3 the University of South Carolina, I was employed by the South Carolina
4 Department of Health and Environmental Control ("DHEC") as an Environmental
5 Engineer Associate. Later, I was promoted to the position of Permitting Liaison
6 where I assisted industries and the public with environmental permitting
7 requirements in the state of South Carolina. This assistance included providing
8 information about air quality, solid and hazardous waste management, and water
9 and wastewater management requirements. I was employed by DHEC for
10 nineteen years. In October, 2004, I joined ORS as the Program Manager for the
11 Water and Wastewater Department.

12 **Q. HOW LONG HAVE YOU PROVIDED REGULATORY OVERSIGHT**
13 **AND ENGINEERING SERVICES TO WATER AND WASTEWATER**
14 **FACILITIES?**

15 A. I have over twenty-two years of regulatory compliance experience
16 providing assistance and regulatory oversight for water and wastewater facilities
17 and services.

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
19 **PROCEEDING?**

20 A. The purpose of my testimony is to set forth the ORS staff findings relative
21 to my review of the joint application of Haig Point, Incorporated ("HPI") and CK
22 Material, LLC ("CKM") for approval of the sale and transfer of stock, assets, and
23 operating authority of Haig Point Utility Company, Incorporated ("HPUC").

1 Specifically, I will focus on HPUC's compliance with the Commission rules and
2 regulations.

3 **Q. ARE THE FINDINGS OF YOUR REVIEW CONTAINED IN THIS**
4 **TESTIMONY AND ACCOMPANYING EXHIBIT?**

5 A. Yes, my testimony and the attached exhibits detail ORS's findings and
6 recommendations.

7 **Q. PLEASE EXPLAIN HOW YOU COMPILED INFORMATION FOR YOUR**
8 **TESTIMONY AND EXHIBIT.**

9 A. I used information provided by HPI and CKM in its application and
10 additional information provided by HPI and CKM during the course of our review
11 of the proposed transfer. I also reviewed HPUC's financial statements and
12 performance bond documents submitted to the Commission along with the
13 proposed bonding information.

14 **Q. PLEASE PROVIDE AN OVERVIEW OF THE LOCATION, SERVICE**
15 **TYPES AND CUSTOMER BASE SERVICED BY HPUC.**

16 A. HPUC is a public utility providing potable and irrigation water supply
17 service and wastewater collection/treatment services. As a subsidiary of HPI,
18 HPUC is a NARUC Class B water utility and a NARUC Class C wastewater
19 utility according to water and sewer revenues reported on its 2006 annual report.
20 HPUC's service area is located on Daufuskie Island in Beaufort County. HPUC's
21 business office is located in Memphis, Tennessee. The current water supply is
22 provided by two wells and is metered to all customers. The wastewater is
23 managed through a biological treatment and sprayfield discharge. HPUC

1 provides adequate water and wastewater collection/treatment service for Haig
2 Point Plantation and the Cedar Cove Development residential and commercial
3 customers. According to the application, HPUC currently provides service to
4 approximately two hundred ninety (290) customers, two hundred eighty six (286)
5 of which are residential customers and four (4) of which are commercial
6 customers.

7 **Q. DOES HPUC PROVIDE ADEQUATE SERVICE TO ITS CUSTOMERS?**

8 A. Given the number of customers being served by HPUC at this time, the
9 utility has an adequate supply and storage capacity along with sufficient
10 transmission capability to meet its current water supply demands. With the
11 existing treatment capacity, HPUC has sufficient means to meet all normal and
12 emergency demands for sewer service.

13 The ORS has received a total of four (4) inquiries from customers of
14 HPUC within the past three years. Three (3) of these contacts were related to
15 questions regarding the HPUC availability fee. Only one (1) complaint was
16 received concerning the service provided by the utility. Based on ORS review of
17 the complaint, the issue was resolved satisfactorily by the utility.

18
19 **Q. WHAT IS THE THE STATUS OF THE PERFORMANCE BOND FOR**
20 **HPUC?**

21 A. HPUC has a current performance bond for utility operations in the form of
22 an Insurance Certificate ("IC") from Travelers Casualty and Surety Company of
23 America on file with the PSC. HPUC has provided \$350,000 in surety for water

1 operations and \$350,000 in surety for wastewater operations. CKM has obtained
2 a Letter of Intent from a bonding agent to provide the performance bonds for
3 water and sewer service as required by the SC Public Service Commission. See
4 Exhibit WJM-1.

5 **Q. DOES CKM HAVE THE TECHNICAL, FINANCIAL AND**
6 **MANAGERIAL QUALIFICATIONS TO OPERATE HPUC?**

7 A. Yes. CKM has proposed to utilize current HPUC employees and the
8 contracted services of Guastella Associates, Inc. Guastella Associates, Inc. has
9 worked with HPUC under contract on regulatory issues in South Carolina.
10 Because CKM has chosen to keep experienced, existing staff and continue their
11 working relationship with Guastella Associates, Inc., HPUC, under CKM's
12 direction, will have the necessary skills, knowledge, and expertise to operate the
13 utility and meet its obligation of providing safe and adequate water and sewer
14 service to its customers. ORS reviewed the financial records of CKM and
15 determined CKM appears to have the qualifications to operate HPUC based on
16 the information CKM provided to ORS.

17 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

18 A. Yes it does.